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Farmer Organizations Request Drought Payments

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Report Highlights:

Citing excessive heat and continued drought that is affecting millions of hectares of farmland, several farm organizations requested the Government of Mexico (GOM) declare a disaster and enact a federal assistance program. Sources indicate that a drought of this severity has not been seen since 1941.

General Information:

The presidents of the National Farmers Confederation (CNC), Gerardo Sanchez Garcia, and the National Agricultural Council (CNA), Juan Carlos Cortes, warned during a press conference on June 21, 2011, that the current drought could result in increased food prices. According to these organizations, agricultural growers have already identified significant damage due to drought covering at least 3 million hectares and resulting in a loss of 5,000 cattle across 15 states. These farmer organizations are requesting the GOM declare a state of emergency.

According to Gerardo Sanchez, “Worldwide agricultural production is below estimates. This is resulting in expensive imports and increased prices for products such as tortillas. Each month, prices are rising due to higher gasoline prices, and if there is uncertainty about commodity supply, it will affect the domestic economy. Since 80 percent of Mexico’s food production depends on non-irrigated production areas, if in the next few days rain does not materialize, the situation will become catastrophic.” The CNC President stated that he is seeking Congress’ help to urge the GOM to explain what it is doing to deal with the drought and to request increased resources from the Climate Contingency Fund.

Other CNC leaders and lawmakers in Hidalgo and San Luis Potosi, Onesimo Serrano-Gonzalez and Oscar Bautista, agreed on the necessity for the GOM to provide catastrophic insurance coverage for farm areas, inject new federal funds into agriculture, and declare certain areas as “Climate Emergencies.”

On the other hand, Juan Carlos Anaya, Director of the Agricultural Market Advisory Group indicated that there is no reason to increase consumer prices as there is a sufficient supply of commodities not only in Mexico but also internationally that can meet Mexican demand. Anaya hopes that, in the coming few days, widespread rains will begin, which will then allow significant agricultural production recovery. “We still have time; however, we see the issue as being more problematic for the livestock sector.”

On June 21, 2011, President Felipe Calderon stated that southeastern Mexico has been affected by climate change, global warming, and higher average water temperatures in the Caribbean Sea. This has led to more rapid formation of hurricanes and more violent weather, he said. He pointed out that due to climate change, 2009 experienced the second worst drought ever recorded. According to Calderon, as well, climate change resulted in the highest rainfall ever recorded in Mexico in 2010. Thus far, 2011 has been the driest year on record.

President Calderon stated that Hurricane Beatrice in the Pacific Ocean is generating significant discussion and that the tropical depression in southwestern Mexico could combine to bring rain to much of the country and mitigate the drought. According to some political analysts, however, Calderon is trying to reassure producers and the public and to minimize the adverse aspects of the drought with these statements.

FAS COMMENTS

In general, these declarations should be considered political statements designed to bring added attention to the causes and/or the industry affected by this drought. The CNC is part of the Institutional

Revolutionary Party (PRI) and is the smallholder farmer organization that serves as an umbrella group for producers of corn, sugar, dry beans, rice, barley, sorghum, pineapple, and copra, among other commodities. It has a strong nationwide presence and currently holds a significant number of seats in Congress (84 congressmen in the Lower House and four members of the Senate).

The CNA represents the largest agricultural and food producers and processors. It is the largest private organization of producers of agricultural products, livestock, food and feed processed products and suppliers of services and inputs related to these activities. Along with the CNC, the CNA is considered one of the most powerful and influential farmer organizations in Mexico. Its members generate more than two-thirds of the Gross Domestic Agricultural, Livestock and Food and Feed Product, and are responsible for exports of these products, as well.

The rains typically expected in June and July are critical for the development of the 2011 spring/summer crop cycle, which accounts for approximately 73 percent of Mexico's total marketing year production. Official sources have stated that the rains caused by Hurricane Beatrice in the last few days have mitigated, partially, the drought in the Bajio Region (encompassing the states of Michoacan, Jalisco, and Guanajuato), which is one of the most important spring/summer crop cycle production areas.

Regarding tortilla prices, while prices are subject to market forces, they remain a sensitive matter for the GOM. Tortillas are a staple in the Mexican diet as per-capita annual consumption is roughly 90 kilograms. Although Mexico could see some continued increase in tortilla prices, the GOM could implement additional measures to counteract rising prices. For example, in early 2007, when international corn prices doubled and pushed tortilla prices higher, the GOM increased corn import quotas, made a pact with tortilla makers and retailers to cap tortilla prices, and threatened legal action against hoarders and others caught refusing to sell goods in an effort to capitalize on even higher prices. Moreover, the GOM has insisted that the supply of white corn for human consumption is guaranteed for the current calendar year based on the implementation of several policy and support measures (see 2011 GAIN report MX 1048 *Grain and Feed June Update*).

